INVESTIGATION INTO POSSIBLE RELEASE OF SALES TAX DATA AND DIAL THE ISLAND RESERVATION SYSTEM INFORMATION

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I. Background

In early 1985 the Charlottetown Convention Centre was placed in receivership. As part of the proceedings correspondence from Mr. Douglas MacArthur, President of Spatial Planning, to Mr. Bernard Dale, President of the Dale Corporation, was filed. This correspondence dated May 19, 1981 has become a public document.

On March 7, 1985 questions were raised in the Legislature by the Leader of the Opposition and information sources were cited pertaining to confidential sales tax and Dial-the-Island reservation information. The Leader of the Opposition made reference to a report prepared by Spatial Planning for Dale Corporation dated May 19, 1981. The report contained an overall hotel/motel monthly occupancy rate for the Charlottetown area. It stated to Mr. Dale:

"The source of our information is for your knowledge only but it consisted of Government of PEI sales tax data, Dial the Island reservation system (operated by the provincial government), as well as information obtained on the Rodd Royalty Inn, Wandlyn Inn and Kirkwood Motel."

On March 9, 1985 the Minister of Finance and Tourism advised the Legislature that an internal investigation was being undertaken by Mr. Philip MacDougall, Deputy Minister of Finance and Tourism. The Leader of the Opposition questioned the independence of a departmental investigation. To satisfy all parties Executive Council then requested the Auditor General to conduct an independent investigation.

II. Terms of Reference

Executive Council by Order EC131/85 requested me to conduct a special investigation. The terms of reference read as follows:

"Pursuant to subsection 14(d) of the Audit Act (R.S.P.E.I. 1974, Cap. A-23.1), Council requests the Auditor General of Prince Edward Island to undertake a special assignment and investigation concerning the statements pertaining to Sales Tax data of the Government of Prince Edward Island and "Dial-the-Island" reservation system data as contained in the evaluation (dated 19 May 1981) by Spatial Planning Inc. of the market study and financial projections prepared by Laventhol & Horwath for the Dale Corporation.

In particular,

(a) the Auditor General is requested to determine the data used as the basis for the statement pertaining to "Government of Prince Edward Island sales tax data" and "Dial the Island reservation system" mentioned on page 2 of the correspondence between Mr. Douglas MacArthur, President of Spatial Planning Inc., and Mr. Bernard Dale, President of Dale Corporation, dated 19 May 1981, and,

(b) the opinion of the Auditor General is sought as to whether the confidentiality of individuals or businesses was breached by access to the sales tax data or "Dial-the-Island" data which forms the basis of the statement indicated in (a), preceding.

The Office of the Auditor General will be provided with sufficient funds to complete this special assignment and investigation, and, the Auditor General may utilize whatever outside assistance he may deem necessary in the circumstances to complete this assignment.

The Auditor General is requested to convey a written report of his findings to the Lieutenant Governor in Council."

III. Acceptance of Assignment

Having established that the acceptance of the assignment would not interfere with my regular audit duties, I accepted, requesting that sufficient funds would be made available to enable me to conduct the investigation, using the powers conferred under subsection 14(c) of the Audit Act.

IV. Scope of Investigation

Due to the nature of the investigation and the time frame under review, heavy emphasis had to be placed on hearing under oath key civil servants and individuals from the private sector.

Prior to the hearing, pertinent records were examined and interviews conducted, which formed the basis for the proceedings of the hearing. Following were the procedures performed:

- a review of the files of Spatial Planning Inc., insofar as they related to the construction of the Charlottetown Convention Centre.
- A scrutiny of newspaper clippings, transcripts of proceedings of the Legislative Assembly and other documents.
- A review of the Spatial Planning and Laventhol & Horwath reports with special emphasis on verification of relevant tables contained in these reports against available published sources.
- Vendor payment files for Doug MacArthur and any companies in which he was engaged as a principal participant were scanned to determine work performed for government.
- Interviews of civil servants employed by the Department of Finance and Tourism in various supervisory positions.
- An analysis of confidential detailed sales tax data, to which I had access as Auditor General.

Upon completion of these procedures the following individuals were heard under oath:

Department of Finance and Tourism:

- W. R. Noonan, Director of Revenue Division
- G. Staples, Assistant Deputy Minister for Tourism
- W. P. MacDougall, Deputy Minister
- G. D. Dennis, former Deputy Minister of Department of Finance

Private Sector:

- Bernard Dale, former owner of the Convention Centre and President of Dale Corporation.
- Peter Dale, Director of Dale Corporation.
- D. M. MacArthur, President of Spatial Planning Inc., and consultant to the Dale Corporation for the Convention Centre

All hearings were taped and conducted in the presence of Mr. Alan Scales, senior partner of the law firm Scales, Jenkins and McQuaid, whom I engaged as my legal counsel.

V. Acknowledgements

All parties involved in the investigation fully cooperated with me and I have no doubt as to the veracity of their statements. This includes Mr. MacArthur who has fully cooperated throughout the investigation by making documents freely available upon request. The assessments were somewhat jeopardized by the length of time passed between the time of the action, 1979/1980, and the time of the investigation.

VI. Conclusion

Although I was unable to obtain documentary evidence on the source of Mr. Doug MacArthur's information, I am satisfied based on my examination and the results of the hearing that it was not obtained from confidential sales tax data or Dial the Island reservation system information.